

AMENDED IN ASSEMBLY MAY 15, 2007

AMENDED IN ASSEMBLY MAY 9, 2007

AMENDED IN ASSEMBLY MARCH 5, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 21

**Introduced by Assembly Member Jones
(Principal coauthor: Assembly Member Solorio)
(Coauthors: Assembly Members Beall, De Leon, Hancock,
Krekorian, Leno, Mullin, and Portantino)**

December 4, 2006

An act to add Section 17052.1 to the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 21, as amended, Jones. Income taxes: earned income tax credit.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws.

This bill would, for taxable years beginning on or after January 1, 2007, allow a credit computed by multiplying, *as applicable*, the federal credit amount, as defined, *or the part-year resident credit amount, as defined*, by 15% and subtracting therefrom the alternative minimum tax, as specified. This bill would provide that the credit would be refundable and would thereby make an appropriation.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17052.1 is added to the Revenue and
2 Taxation Code, to read:
3 17052.1. (a) For each taxable year beginning on or after
4 January 1, 2007, there shall be allowed as a credit against the “net
5 tax” (as defined by Section 17039) an amount determined under
6 subdivision (b).
7 (b) Except as otherwise provided in this section, the amount of
8 the credit allowed under subdivision (a) shall be computed by
9 multiplying the “federal credit amount” (as defined in subdivision
10 (c)) by 15 percent and subtracting therefrom the amount of tax
11 imposed by Section 17062 (relating to alternative minimum tax),
12 if any, for the same taxable year.
13 (c) For purposes of this section, “federal credit amount” means
14 the amount determined under Section 32 of the Internal Revenue
15 Code.
16 (d) No credit shall be allowed under this section to any ~~of the~~
17 ~~following:~~
18 ~~(1) Any person who is treated as a nonresident for any portion~~
19 ~~of the taxable year.~~
20 ~~(2) Any person who is married (within the meaning of Section~~
21 ~~person who is married (within the meaning of Section 17021.5)~~
22 ~~and files a separate return for the taxable year.~~
23 (e) (1) *The amount of credit allowed under subdivision (a) to*
24 *a person who is a nonresident for any portion of the taxable year*
25 *and who is eligible for the “federal credit amount” shall be*
26 *computed by multiplying the “part-year resident credit amount”*
27 *by 15 percent and subtracting therefrom the amount of tax imposed*
28 *by Section 17062, relating to alternative minimum tax, if any, for*
29 *the same taxable year.*
30 (2) *“Part-year resident credit amount” means the “federal*
31 *credit amount” based on California adjusted gross income as*
32 *defined in Section 17301.3.*
33 ~~(e)~~

1 (f) For purposes of this section, any reference to Section 32 of
2 the Internal Revenue Code means the Internal Revenue Code as
3 applicable for federal purposes.

4 ~~(f)~~

5 (g) If the amount allowable as a credit under this section exceeds
6 the tax liability computed under this part, the excess shall be
7 credited against other amounts due, if any, and the balance, if any,
8 shall be refunded to the taxpayer.

9 ~~(g)~~

10 (h) Notwithstanding any other state law, and to the extent
11 permitted by federal law, amounts refunded pursuant to subdivision
12 ~~(f)~~ (g) shall be treated the same as the federal credit defined in
13 subdivision (c) for the purpose of determining eligibility to receive
14 benefits under Division 9 (commencing with Section 10000) of
15 the Welfare and Institutions Code or amounts of those benefits.

16 SEC. 2. It is the intent of the Legislature that state funds spent
17 for the purposes of an earned income tax credit shall be balanced
18 by a commensurate increase in state revenues realized from the
19 closure of loopholes in the Revenue and Taxation Code and from
20 the repeal or modification of outmoded, ineffective, or unfair tax
21 expenditures.

22 SEC. 3. This act is an urgency statute necessary for the
23 immediate preservation of the public peace, health, or safety within
24 the meaning of Article IV of the Constitution and shall go into
25 immediate effect. The facts constituting the necessity are:

26 In order to provide equality and fairness to all taxpayers, it is
27 necessary that this act go into immediate effect.